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USDOC FOR 532/OEA/ MCANNER
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR PATRICK SANTILLO
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

SIPDIS

E.O. 12958: N/A

TAGS: [BMGT](#) [BEXP](#) [HK](#) [ETRD](#) [ETTC](#)

SUBJECT: EXTRANCHECK: POST SHIPMENT VERIFICATION: Y&W ENTERPRISES

REF: A) BIS e-mail request 01210095 dated November 5, 2009

1.Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

12. As per reftel A request and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO) conducted a post shipment verification (PSV) at Y&W Enterprises Co, Room 603, Elite Industrial Center, 883 Cheung Sha Wan Road, Hong Kong (Y&W). The items in question for this PSV are various EEPROMs and dual port static ram exported to Y&W on or about February 18, 2009. These items are likely classified under Export Control Classification Number (ECCN) 3A001a2c and are controlled for national security (NS) reasons. This ECCN is eligible for shipment to Hong Kong license free but would, in virtually all circumstances, require a license for shipment to mainland China. The exporter is Arrow Electronics International of Reno, Nevada.

13. According to the Hong Kong Inland Revenue Department's Business Registration Office, Y&W has been in existence since 1995. Yiu, Chung Tsap (HKID# C3169063) is listed as the sole proprietor.

14. Y&W markets itself on various web sites as an electronic components reseller. It does not appear to have an operational web site.

15. On November 18, 2009, ECO and FCS Commercial Assistant Carrie Chan visited the company and met with Ms. Chan, Manager. According to Ms. Chan, Y&W is a trading company focused on various electronic components. Its primary customers are other trading companies located in Hong Kong and mainland China although the company apparently also has customers in Singapore, the United States, India and West Germany. Ms. Chan stated that other trading companies go to Y&W rather than directly to distributors like Arrow because, according to Ms. Chan, Y&W has better relationships with those distributors.

16. As to the particular order in question, Ms. Chan provided documentation confirming receipt of the items as well as invoices indicating further sale to other companies in Hong Kong (with corresponding customer chops confirming receipt of the items in the invoices). As to the dual port static ram, Mr. Chan provided invoices showing sale of 1001 units to Hanford (HK) Ltd., 901-903 Century Center, 44-46 Hung To Road, Hong Kong. A Mr. Chan (phone numbers: 97420760 and 25911689) is listed as the contact person. Ms. Chan also provided an invoice showing sale of 200 dual port static ram to New White Industry Ltd. (phone: 852 6635 1162), room C-5, Wing Hing Industrial Building, 14 Hing Yip Street, Hong Kong. As to the EEPROMs, Ms. Chan provided an invoice showing sale to CME Enterprises, Rm. 622, 6/F, Kowloon Bay Industrial Centre, 15 Wang Hoi Road, Hong Kong (phone: 25420385 and fax: 25422941). In three of the four cases, payment terms are listed as cash on delivery (COD). Ms. Chan stated that she is unaware of the end uses or users of these items and seldom asks customers for this information.

¶7. When ECO explained that some items require export licenses, Ms. Chan initially stated that she was unfamiliar with export controls and had not heard about them before. Later, when ECO showed Ms. Chan a copy of Y&W's Customer Certification of End Use and Export Compliance (a document required by the supplier, Arrow Electronics), Ms. Chan conceded that she was familiar with the document and that she had signed it. She then stated that Y&W regularly receives documents with similar language from suppliers but that since Y&W only deals with local (Hong Kong) customers, it doesn't apply for licenses. ECO then asked whether Y&W had obtained the obligatory Hong Kong import license for these items. Ms. Chan stated that she was not sure but that Y&W sometimes applies for licenses. Ms. Chan agreed to look for the import license and revert to ECO if she finds it. ECO is confident Y&W did not receive a Hong Kong import license for these items. ECO provided Ms. Chan with BIS's reexport controls guidance brochure and offered to answer any export control related questions Y&W might have going forward.

¶8. New White Background: ECO was unable to find any corporate registry or other information for New White Industry Ltd. Commercial Assistant Carrie Chan left a message at the number listed on the New White invoice but no response has been received yet. According to Y&W's Ms. Chan, New White is a mainland Chinese company and its representative comes to Hong Kong from time to time.

¶9. Hanford Background: According to the Hong Kong Companies Registry, Hanford has been in existence since 2000. It has the Hong Kong equivalent of USD 35,000 in share capital. Hong Kong residents, Chen, Qigang and Lu Wuliang are listed as directors. Chen, Qigang is also listed as a director in Kaplex Limited. Lu, Wuliang is listed as a director in Forox (Hong Kong) Limited, Info Talent Technology Limited and Xoro Electronics (Hong Kong) Limited.

¶10. Hanford Visit: On December 18, 2009, ECO and Commercial Assistant Carrie Chan visited Hanford (at the address noted above) and met with Mr. Charles Chen, Managing Director. According to Mr. Chen, Hanford is an electronic components trading company that sells primarily to mainland China. Its typical customers are other trading companies. It finds buyers and suppliers on web sites like IC Source and Partminer.com. As to the items in question (dual port static ram), Mr. Chen stated that they had been sold to the China National Machinery Import and Export Corporation in Beijing. He provided an airway bill confirming such shipment. When asked for end use and end user information, Mr. Chen stated that he did not know the end user name. He stated that he had been informed that these items were for use in fishing boat communications equipment. When asked why a fishing boat communication system would need a high temperature range communication system, Mr. Chen stated that he was not familiar with the system so didn't know for sure. Mr. Chen stated that he was unfamiliar with Hong Kong and BIS export control rules. Subsequently, Mr. Chen stated that he sees export control language in U.S. exporter documentation. In this case, he stated that he believed the items were common items and therefore not subject to a licensing requirement. ECO provided Mr. Chen with BIS's reexport controls guidance brochure and offered to answer any export control related questions Hanford might have going forward.

¶11. CME Enterprises: According to the Hong Kong Companies Registry, CME Enterprises (or China Machinery Electronic Enterprises Limited) has been in existence since 1992. Its share capital is the Hong Kong equivalent of USD 125,000. Its directors are listed as Chun, Chun John (HK ID# H359763(8), Chun, Lung Hing (HK ID# G128256(4)) and Mao, Oi Tak (HK ID# H359762(A)). Chun, Lung Hing is also a director in the following additional Hong Kong companies: CTC Computer Technology Limited (dissolved), Farwest Maritime International Limited, Taitian Science and Technology (Hong Kong) Limited and Xingrong Real Estate Company Limited. Mao, Oi Tak is also a director in Farwest Maritime International Limited. According to the CME website (www.hkcme.com), the company was formed in 1982 by the Ministry of Aerospace Industry (the predecessor to the China National Space Administration and the China Aerospace Corporation). The web site further states that CME's products come from a range of partners including specim (www.specim.fi) (commercial, research and military sensing tools), Souirau (www.souriau.com) (connectors for severe environments in space, defense and industrial applications), March Microwave B.V. and

others. To date, ECO has been unable to schedule a visit at CME. Should ECO succeed in scheduling a meeting at CME, he will inform OEA of the results.

¶12. ECO believes Y&W, Hanford, New White and CME Enterprises to be unsuitable recipients of U.S. origin controlled technology. ECO recommends a close review of all shipments to these companies (and other affiliated companies noted herein) as well as their addresses.